SGC HOLDINGS INC.

FINANCIAL STATEMENTS

For the Year Ended March 31, 2001

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of SGC Holdings Inc. as at March 31, 2001 and the statements of operations and retained earnings, and cash flows for the year then ended. The corporation's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
April 25, 2001

Fred Wendel, CMA, CA
Acting Provincial Auditor

STATEMENT 1

SGC HOLDINGS INC.
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

Assets

	2001	2000
Current assets:		
Cash	$ 248,953	$ 240,247
Accounts receivable	185,221	---
Lease receivable from SGC (Note 3)	4,448,217	5,466,389
	4,882,391	5,706,636
Long-term lease receivable from SGC (Note 3)	23,054,613	20,475,105
Total Assets	$ 27,937,004	$ 26,181,741

Liabilities and Equity

Current liabilities:		
Accounts Payable	$ 1,668,680	$ 208,145
Due to SGC (Note 4)	6,156,558	1,905,126
Current portion of long-term debt (Note 5)	1,285,286	3,965,256
	9,110,524	6,078,527
Long-term Debt (Note 5)	18,808,171	20,093,457
	27,918,695	26,171,984
Equity:		
Share Capital (Note 6)	1,000	1,000
Retained Earnings (Statement 2)	17,309	8,757
	18,309	9,757
Total Liabilities and Equity	$ 27,937,004	$ 26,181,741

Commitments (Note 8)

(See accompanying notes to the financial statements)

STATEMENT 2

SGC HOLDINGS INC.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31

	2001	2000
Revenue:		
Bank Interest	$ 17,467	$ 8,650
Other	1,710	1,727
	19,177	10,377
Expenses:		
Bank Charges	1,818	1,570
Other	50	50
	1,868	1,620
Net income	17,309	8,757
Retained earnings, beginning of the year	8,757	93,190
	26,066	101,947
Transfer to SGC	8,757	93,190
Retained earnings, end of the year (Statement 1)	$ 17,309	$ 8,757

(See accompanying notes to the financial statements)

STATEMENT 3

SGC HOLDINGS INC.
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED MARCH 31

	2001	2000
Cashflow from Operating Activities:		
Net income	$ 17,309	$ 8,757
Changes in non-cash working capital balances:		
Accounts Receivable	(185,221)	—
Accounts Payable	1,460,535	58,120
	1,292,623	66,877
Cashflow from Investing Activities:		
Additions to lease receivable	(7,027,724)	(2,057,899)
Repayment of lease receivable	5,466,388	5,220,883
	(1,561,336)	3,162,984
Cashflow from Financing Activities:		
Transfer to SGC	(8,757)	(93,190)
Increase in due to SGC	4,251,432	731,706
Repayment of debt	(3,965,256)	(3,651,613)
	277,419	(3,013,097)
Net Increase in Cash	8,706	216,764
Cash, beginning of year	240,247	23,483
Cash, end of year	$ 248,953	$ 240,247

(See accompanying notes to the financial statements)

SGC HOLDINGS INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2001

1. Description of Business

SGC Holdings Inc. was incorporated under *The Business Corporations Act* (Saskatchewan) and is a wholly owned subsidiary of the Saskatchewan Gaming Corporation (SGC). Since its inception, SGC Holdings Inc. purchased all capital assets and leased them to SGC for the operation of Casino Regina. The financial results of SGC Holdings Inc. are included in the consolidated financial statements of SGC.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles.

3. Long-term Lease Receivable

	2001	2000
Total minimum payments receivable	$ 27,502,830	$ 25,941,494
Less current portion	4,448,217	5,466,389
	$ 23,054,613	$ 20,475,105

SGC Holding Inc. entered into a building and gaming equipment agreement with the SGC. The receivable is non-interest bearing and has minimum repayments as follows:

	2001	2000
Year ending March 31		
2001	$ —	$ 5,466,389
2002	4,448,217	2,993,421
2003	4,104,031	2,649,238
2004	3,768,345	2,313,552
2005	3,262,775	1,931,104
2006	3,057,118	1,725,446
2007 and subsequent	8,862,344	8,862,344
	$ 27,502,830	$ 25,941,494

4. Due to SGC

Amounts due to SGC are non-interest bearing and payable on demand.

5. Long-Term Debt

	2001	2000
Land and Building Loan, repayable in monthly instalments of $256,715 including interest at 9.2%, due April 1, 2011	$ 20,093,457	$ 21,266,186
Gaming Equipment Loan, repayable in monthly instalments of $242,763 including interest at 7.88%, due April 1, 2001	---	2,792,527
	20,093,457	24,058,713
Less current portion	1,285,286	3,965,256
	$ 18,808,171	$ 20,093,457

The above loans are secured by assets and shares of SGC Holdings Inc. Principal repayments required in the next five years are as follows:

2002	$ 1,285,286
2003	1,408,648
2004	1,543,851
2005	1,692,030
2006	1,854,431
2007 and subsequent	12,309,211
	$ 20,093,457

Under an agreement between SGC and SGC Holdings Inc., SGC is responsible for paying the interest portion of the loans directly to the lenders. Accordingly, these financial statements do not show the cost of servicing this debt. For the year ended March 31, 2001, SGC's financial statements include interest expense of $2,028,481 (2000 - $2,342,122) for this debt.

6. Share Capital

	2001	2000
Authorized		
Unlimited voting common shares with no par value		
Unlimited non-voting preferred shares with no par value		
Issued and outstanding		
100 common shares	$ 1,000	$ 1,000

7. Related Party Transactions

These financial statements include transactions with related parties. SGC Holdings Inc. is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, SGC Holdings Inc. is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms.

SGC Holdings Inc. has not been charged with administration costs. These costs have been absorbed by SGC.

In addition, SGC Holdings Inc. pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts due to or from related parties are disclosed elsewhere in these financial statements.

8. Casino Regina Expansion

During the year, SGC, on behalf of SGC Holdings Inc., approved expansion and renovation of Casino Regina including a new entertainment facility west of the casino, a parking structure, and pedway linkages with the nearby shopping centre and the adjacent hotel for a total estimated cost of $29 million. SGC negotiated cost share arrangements with the City of Regina, Regina Market Square, and the hotel for the proposed pedway linkages.

Recently, Saskatchewan Property Management Corporation, on behalf of SGC, made agreements with certain builders and architects to carry out the above construction during the next year. During the year, SGC completed part of this project for a cost of approximately $5 million.

Treasury Board has also approved the above expansion of Casino Regina. SGC plans to borrow money to fund the expansion project.